

Copied to:

OGI
OEA

Route:

C/NIC

NIO/AL - Hans

NIC/AG - Sid

STAT

EXECUTIVE SECRETARIAT

Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20	WID/ECON		✓		
21					
22					

SUSPENSE

Date

Remarks:

Executive Secretary

4/4/83

Date

THE WHITE HOUSE
WASHINGTON

Executive Registry
83-1870

CABINET AFFAIRS STAFFING MEMORANDUM

DDI- 2535/83

DATE: April 4, 1983 NUMBER: 118595CA DUE BY: _____

SUBJECT: Cabinet Council on Economic Affairs - Tuesday, April 5, 1983

8:45 a.m.

Roosevelt Room

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Harper	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: The Cabinet Council on Economic Affairs will meet Tuesday, April 5, 1983 at 8:45 a.m. in the Roosevelt Room. Agenda and papers are attached.

AGENDA: Strategic Stockpile CM # 050 (paper attached)
General Revenue Sharing CM# 357 (paper attached)

Secret Attachment

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☒ Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800



THE WHITE HOUSE

WASHINGTON

April 1, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*
SUBJECT: Agenda and Papers for the April 5 Meeting

The Cabinet Council on Economic Affairs will hold its next meeting on Tuesday, April 5, at 8:45 a.m. in the Roosevelt Room.

The first agenda item is the economic impact of strategic stockpile goals. The Office of Management and Budget has recently reviewed the Federal Emergency Management Agency's (FEMA) methodology for calculating civilian materials goals in the National Defense Stockpile and will present the results of their review. Our national defense goals were not evaluated as part of this review and will not be discussed in the presentation.

The National Defense Stockpile is a buffer stock of 69 nonfuel materials for defense, industrial, and essential civilian requirements for mobilization. Stockpile goals are developed by FEMA based on guidance from the National Security Council. The goals currently embody stocks valued at \$20.1 billion. The current stockpile inventory includes stocks valued at \$12.5 billion. However, \$4.9 billion is surplus, mainly tin, silver, and tungsten. This leaves unfilled goals of \$12.5 billion.

The goals rose from \$10.2 billion in 1976 to \$20.1 billion in 1980. FEMA is currently updating the goals and expects further increases in 1983.

A range of policy decisions are typically based, in part, on the stockpile inventories vis-a-vis the goals. These decisions relate not only to the procurement of stockpile materials but also to Section 232 "findings" under the Trade Expansion Act of 1962 with respect to U.S. dependence on imports critical to our national security. These decisions also involve consideration of subsidies for domestic production of the materials for national security reasons. Among other things, this discussion should enhance our understanding of the underlying assumptions and methodology used in computing the National Defense Stockpile goals.

A paper prepared by the Office of Management and Budget is attached.

The second agenda item concerns the reauthorization of the General Revenue Sharing program. An interagency group including

representatives from the Department of the Treasury, the Office of Management and Budget, the Office of Policy Development, and the Office of Intergovernmental Affairs has considered the question of what position the Administration should take on this issue. A paper, reflecting the Group's review of this issue, is attached.

THE WHITE HOUSE
WASHINGTON

THE CABINET COUNCIL ON ECONOMIC AFFAIRS

April 5, 1983

8:45 a.m.

Roosevelt Room

AGENDA

1. Economic Impact of Strategic Stockpile Goals (CM#050)
2. Reauthorization of General Revenue Sharing (CM#357)

THE WHITE HOUSE

WASHINGTON

March 30, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROBERT B. CARLESON

SUBJECT: Administration Position on the Reauthorization of
the Revenue Sharing Program

The current authorization for the \$4.6 billion Revenue Sharing Program expires at the end of FY 1983. The final payments will be distributed to 38,000 local governments in early October. The Congress is pressing for the Administration's proposals for the future of the Program.

A five-year reauthorization of the Program is implicit in the President's Federalism Initiative. However, it is virtually certain that the Congress will reauthorize the Program well before it completes its deliberations on the Initiative. These considerations suggest that the Administration must either proceed with a five-year reauthorization in advance of action on the Initiative or propose a one-year reauthorization and press the Congress to postpone decisions on the longer-term future of the Program until it has acted on the Initiative. This memorandum provides background information on the issues and outlines the principal arguments in favor of each of the options.

Background

The Administration has proposed, in legislation transmitted to the Congress on February 24th, that the Revenue Sharing and Community Development Block Grant (Entitlement Portion) programs be included in a Local Block Grant, which is one of the four block grants that comprise the President's Federalism Initiative. The Administration's bill provides for authorization of the new Block Grant for five years, with both programs funded throughout the period at their current levels.

The President's message transmitting the Federalism legislation notes that

Implicit in the federal-local block grant is the assumption that revenue sharing would be reauthorized for 5 years at the current funding level. . . .

To date, Administration spokesmen -- including Ed Meese, Rich Williamson, and Treasury officials -- have been characterizing

-2-

the Administration's position as support for a five-year reauthorization of Revenue Sharing at the current funding level "in the context of the Federalism Initiative." Amendment of the Revenue Sharing Act to create five new entitlement periods will be necessary for the operation of the Local Block Grant, as that legislation does not include a provision reauthorizing the Program. When asked what the Administration's position might be if it were to become apparent that the Federalism legislation is not moving in the Congress, the response has been that we would prefer not to speculate about such matters so soon after the legislation went to the Hill.

The authorizations for a number of the 34 programs that are proposed for inclusion in the four block grants are scheduled to expire during the five-year period for which they would be authorized. The decision in the drafting process was not to provide for the reauthorization of the programs in the Federalism bills, as this would have vastly complicated the legislation, but to support separate-track reauthorizations for each of the programs as necessary.

The current authorization for the CDBG Program also expires at the end of FY 1983. In the case of that program, however, HUD transmitted a bill to the Congress the first week in March that would reauthorize the Program for three years at the current funding level, with a number of substantive changes in its operation.

On March 9, the Treasury Department forwarded to OMB for review legislation that would reauthorize the Revenue Sharing Program for five years at the current funding level, with a number of relatively minor changes in substance to conform certain requirements to established Administration policy. The Department was invited to testify before Senator Heinz's Subcommittee of the Senate Finance Committee on March 14, and before Rep. Weiss' Subcommittee of the House Government Operations Committee on March 13. As OMB clearance of Treasury's proposed legislation was not completed in time, postponement of both appearances was requested and granted. The subcommittees have since held several days of testimony on the nearly dozen reauthorization bills that have been introduced in both Houses. Both chairmen have been talking of moving to markup in April.

Given the pace of Congressional action on Revenue Sharing, it is almost certain that the Program will be reauthorized before consideration of the Initiative is completed. Indeed, such consideration might be delayed until the next session of the Congress.

-3-

The Major Policy Options

In view of these considerations, the primary options are:

- (1) to proceed with the approach proposed by Treasury for the five-year reauthorization that is implicit in the Federalism Initiative, or
- (2) to propose a one-year reauthorization that would keep the Program alive until the fate of the Local Block Grant has been established.

The major arguments favoring each of the options are outlined in the remainder of this memorandum.

Option 1: Five-Year Reauthorization

(1) Statements by Administration officials during the past month have created general expectations that a five-year reauthorization will be proposed, and fast footwork would be necessary to explain why the position has changed if we were not to do so.

(2) Many State and local officials and supporters of Revenue Sharing in the Congress are suspicious of the Administration's intentions with respect to the Program. Support for a five-year reauthorization would lay those suspicions to rest. A proposal for a one-year reauthorization, in light of the Administration's bill for a three-year reauthorization of the CDBG Program, might be interpreted as a signal that the Administration's professed commitment to both programs is distinctly asymmetrical. Indeed, it would probably be understood as an acknowledgement that the Administration will not support Revenue Sharing if the Local Block Grant is not approved.

(3) The Local Block Grant would require a five-year reauthorization of Revenue Sharing, and the Administration's support for that could be portrayed as an indication of confidence that the Federalism Initiative is proceeding on schedule and enjoys the strong support of the Administration.

(4) The Congress is virtually certain to reauthorize the Program for at least three years. (Senator Dole observed in a speech to local officials on March 6th that "Revenue Sharing is the safest thing in town;" and Senator Durenberger has 69 co-sponsors for a three-year reauthorization.) The five-year option can help defuse the Senator Durenberger proposal (S.700) which would permanently reauthorize GRS and increase funding. The major battle may well be on the turf of those seeking to increase the funding. Therefore, an Administration proposal supporting the longer authorization at a constant \$4.6 billion level would

-4-

allow the program to continually decline in real value terms. An Administration position favoring a temporary extension might well be ignored, which would forfeit any leverage we might have in the reauthorization process to obtain substantive changes in the Program.

Option 2: One-Year Reauthorization

(1) A one-year reauthorization would provide time for serious consideration of the Local Block Grant proposal, which is not likely to occur until late in the current session or next year, without risking expiration of the Revenue Sharing Program before that debate is concluded. If a one-year extension could be enacted, it would preserve the Administration's option to oppose a further reauthorization of Revenue Sharing if the Local Block Grant were not enacted.

(2) The Federalism Initiative has not received a notably enthusiastic reception on the Hill. Support for the reauthorization of Revenue Sharing is strong in the Congress and Administration support for a five-year extension of the Program could result in a reauthorization without serious attention being given to the Block Grant proposal. In fact, GRS has always been renewed on a multi-year basis.

(3) Local officials have largely been ignoring the Federalism proposals in favor of reauthorization of Revenue Sharing. A proposal for a one-year reauthorization of Revenue Sharing would demonstrate that the Administration intends to take the Initiative seriously -- that it is prepared to admit that its support for the reauthorization of Revenue Sharing is contingent upon enactment of the Local Block Grant, and that it is prepared to deal with the controversy that such a strategy would provoke.

(4) A one-year reauthorization could be cast in positive terms. It could be characterized as necessary to allow careful consideration not only of the Initiative, but also of other serious proposals for fundamental reordering of aid to States and localities (e.g., those of Senator Durenberger). Such an approach would stress the President's commitment to work with the Congress and the need for thoroughgoing discussion and debate on approaches to resolve the imbalances in the Federal system. Such an approach, however, might signal greater flexibility than the Administration intends. It would also open the GRS issue in an election year, which the last renewal (three years) intended to avoid, unless the issue is resolved this year in the context of the Federalism Federal/Local Block Grant.